



FEDERAL ENERGY REGULATORY COMMISSION

TECHNICAL CONFERENCE ON
EMERGENCY REALLOCATION
OF NATURAL GAS

April 23, 2002



Energy Security Post FERC 636

- Today's meeting addresses *recovery scenarios* to respond to natural gas emergency-related supply interruptions. In their public announcement FERC outlines the scope of DOE's and FERC's interest.
- The Office of Homeland Security and others have hosted engagements recently focused more heavily on *programs to prevent* such emergencies.



Energy Security Post FERC 636

- Federal authorities are currently in place to facilitate operational activities to address natural gas emergency-related supply interruptions.
- These authorities were developed before the restructuring of the natural gas industry.
- Are these existing authorities robust enough to address interruptions in the restructured natural gas industry?



DOE CURTAILMENT AUTHORITY

- **DOE Organization Act**: Sections 301(b) and 402(a)(1)(E) assign the Secretary of Energy responsibility for establishment and review of natural gas curtailment priorities under the Natural Gas Act.
- **Natural Gas Policy Act of 1978**: Sections 401-403 require the Secretary to prescribe rules establishing curtailment priorities for natural gas used for essential agricultural, industrial process and feedstock uses.



DOE CURTAILMENT AUTHORITY – APPLICATION

- **Curtailment Priorities for Essential Agricultural Uses (1979)**: DOE adopts a rule governing curtailment priorities for essential agricultural uses as required by section 401 of the NGPA.
- **Proposed Rulemaking Concerning Review and Establishment of Natural Gas Curtailment Priorities for Interstate Pipelines (1980)**: DOE issued a NOPR to establish a five priority end use plan.



DOE NATURAL GAS EMERGENCY AUTHORITIES

- **Natural Gas Policy Act of 1978, Title III:** Once the President has declared a supply emergency (section 301), DOE can authorize purchases of natural gas (section 302) and allocate natural gas supplies in interstate commerce (section 303).
- **Public Utilities Regulatory Policies Act of 1978:** Under section 607, during a supply emergency, DOE can prohibit the use of natural gas by electric utilities and major fuel-burning installations, to facilitate fuel switching.



DOE NATURAL GAS EMERGENCY AUTHORITIES

- **Defense Production Act of 1950:** The Secretary of Energy can require the priority performance of existing energy supply, equipment or service contracts, including transportation, or issue allocation orders, as necessary or appropriate for national defense (section 101(a)) or to maximize domestic energy supplies (section 101(c)).



DOE NATURAL GAS EMERGENCY AUTHORITIES

- **Powerplant and Industrial Fuel Use Act:**
Section 404(b) grants the President authority to prohibit any powerplant or major fuel-burning installation from using natural gas or petroleum as a primary energy source. Exercise of this authority requires a Presidential finding of a “severe energy supply interruption,” as defined in section 3(8) of the Energy Policy and Conservation Act.



DOE NATURAL GAS EMERGENCY AUTHORITIES

- **Natural Gas Act**: Under section 3, DOE is required to approve, without modification or delay, applications to import or export natural gas from or to U.S. free-trade-agreement partners.



Temporary Emergency in California

- In January 2001, the President found and declared that a natural gas supply emergency existed in the central and northern regions of California.
- The President authorized and directed the Secretary of the Department of Energy *to exercise authorities under the Natural Gas Policy Act of 1978 and the Defense Production Act of 1950* to assure the continued availability of natural gas to high-priority uses in those regions.



Temporary Emergency in California

- Pacific Gas and Electric Company (PG&E) was authorized to make emergency purchases of natural gas.
- Suppliers were directed to sell natural gas to PG&E.
- Natural gas supplies purchased by PG&E pursuant to this Order could only be used for sale by PG&E for high-priority uses, and could not be sold by PG&E into the wholesale market.